In Appreciation

The Company is sincerely appreciative of the hard work, skills, knowledge, initiative and genuine care its 324 employees and 271 agents demonstrated in 1991 in providing quality service by making STC's customers number one.

The Company gratefully acknowledges the many years of dedicated and productive service of the following employees who retired in this fiscal year:

Sheila N. Frazer
Coach Cleaner, Regina
August 19, 1976 – September 22, 1991

Rosemary T. Klein
Coach Cleaner, Regina
November 27, 1975 – December 1, 1990

Morgan J. Jenkins
Sales & Service Supervisor, Regina
May 26, 1956 – June 1, 1991

Wally Yuzdepski
Transportation Services Supervisor, Saskatoon
May 2, 1956 – September 1, 1991

Congratulations are extended to the following individuals in recognition of achieving milestone years of service in 1991:

25th Anniversary:	Norman and Kelly Ediger, Agents, Drake Clive Perrin, Serviceman 1, Saskatoon Conrad Pryshlak, Ticket Sales Clerk, Regina
30th Anniversary:	Betty J. Anderson, Administrative Assistant, Regina L. Blondal Johnson, Agent, Tessier
35th Anniversary:	Morgan J. Jenkins, Sales & Service Supervisor, Regina Charles F. Kessier, Mechanic 1, Regina Wally Yuzdepski, Transportation Services Supervisor, Saskatoon
45th Anniversary:	Arnie O. Goodmanson, Agent, Girvin

All of the Company's employees were saddened by the untimely deaths of two of their friends and associates. Ronald N. Galger, who served as a Bodyman in Saskatoon since 1971, passed away suddenly on November 23, 1990 and Ernest J. Gibson, a Mechanic in Saskatoon since 1977, passed away December 24, 1990.

In the future, STC will strive to turn new visions into realities thereby building on its excellent reputation of people serving people through the delivery of customer-oriented transportation services.

92-05588/

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Letter of Transmittal

May 4, 1992

To Her Honour
Sylvia O. Fedoruk, O.C., S.O.M.
Lieutenant Governor of the
Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of the Saskatchewan Transportation Company for the year ended October 31, 1991, in accordance with The Crown Corporations Act, 1978. The Financial Statements are in the form approved by the Treasury Board and have been duly reported on by the Corporation's auditors.

I have the honour to be, Madam,

Your obedient servant,

Carol Carson
Minister Responsible
Saskatchewan Transportation Company

Overview

In its 45th year of operation, STC provided friendly, reliable and safe transportation services to the people of Saskatchewan via 52 round-trip schedules, most of them daily, on 43 route corridors.

The fleet modernization program initiated in 1990, was advanced by disposing of 18 GMC vintage 1975-76 coaches and acquiring seven 1990 MCI and six 1991 Prevost coaches, upgrading the average age of the fleet to 7.3 years. At year's end, the miles logged by the 62 coach fleet decreased by 42,908 or 0.8% to 5,587,187 miles while coach productivity rose by 4.0% to approximately 90,000 miles per coach.

In 1991, only 19.9 passengers were carried each trip and 193 cubic feet average express capacity was used compared to the fleet average capacity of 48 passengers and 338 cubic feet, indicating the need to match service levels to actual demand. Passenger revenues declined a marginal 0.3% to $7,137,000 as a net result of a 6.5% decline in ridership of approximately 42,000 riders, and rate increases implemented in August 1990 and June 1991. The 2.8% or $165,000 revenue increase in Express revenues to $6,157,000 was a significant achievement in consideration of the soft rural economy.

A $29,000 or 3.0% decline in charter revenues to $944,000 reflects demand elasticity to a charter rate increase in late July 1991. Commissions earned from the sale of other carriers' services and ancilliary transportation service revenues amounting to $1.6 million accounted for the remainder of the transportation service revenues of $15.8 million.

In 1991, the Company's total revenue increased by $266,000 or 1.6% to $16,482,000, however this was offset by the $1.4 million or 6.4% increase in expenses to $22,936,000.

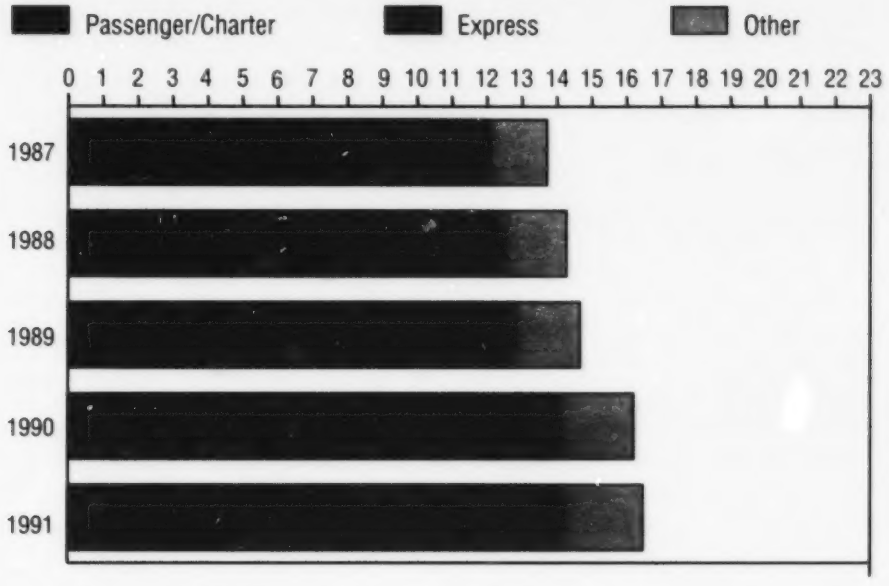
Operating expenses rose 2% to $12.5 million due to inflation in the cost of doing business while maintenance expenses declined by 1% to $3.1 million reflecting savings from the disposal of vintage coaches and the reduced maintenance requirements for the new coaches.

Administration costs of $4.5 million were up $277,000 due to consulting fees, staffing adjustments and union contract increases effected on January 1, 1991.

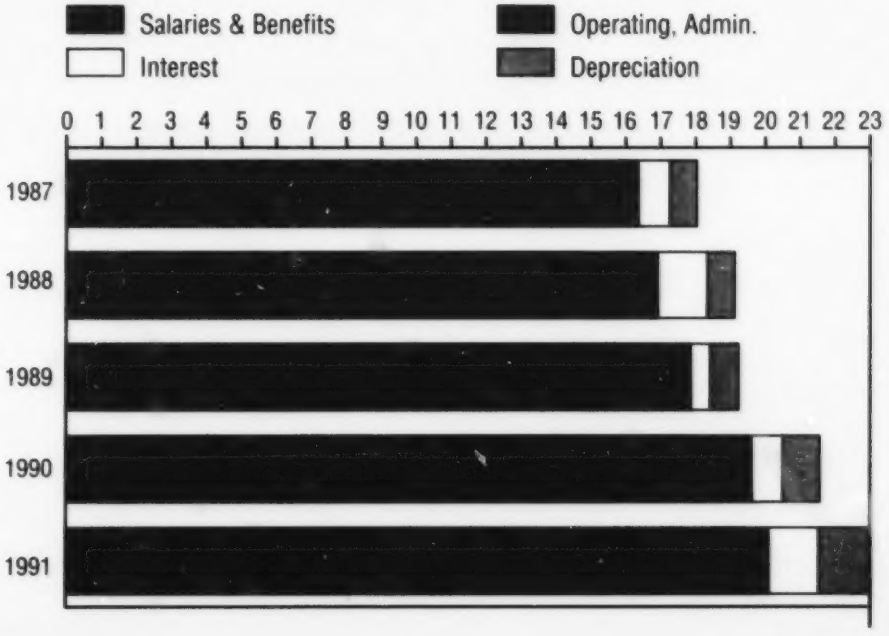
Interest costs of $1.4 million were up $543,000 due to a sharp increase in borrowings and the acquisition of new motorcoach equipment was the primary cause of an additional depreciation expense of $356,000.

As a result of the poor economic climate and provision of service in excess of the demand of the public, the corporation sustained a $6.5 million loss in 1991.

Saskatchewan Transportation Compny
Components of Revenue ($ millions)



Saskatchewan Transportation Company
Components of Expenses ($ millions)



Five Year Statistical Profile (unaudited)

	1990-91	1989-90	1988-89	1987-88	1986-87
Revenues (000's)					
Scheduled Service	$13,294	$13,153	$12,054	$11,783	$11,290
Other	3,188	3,063	2,622	2,499	2,428
Total:	$16,482	$16,216	$14,676	$14,282	$13,718
Expenses (000's)					
Operating & Administration	$20,086	$19,604	$17,862	$16,915	$16,357
Interest	1,428	885	552	1,418	898
Depreciation	1,422	1,066	817	788	781
Total:	$22,936	$21,555	$19,231	$19,121	$18,036
Net Loss (000's)	$ 6,454	$ 5,339	$ 4,555	$ 4,839	$ 4,318
Property And Equipment (000's)	$16,318	$13,353	$10,830	$10,114	$10,374
Miles Operated (000's)					
Scheduled Miles	5,095	5,079	5,084	5,038	5,079
Other	492	551	376	383	427
Total:	5,587	5,630	5,460	5,421	5,506
Route Passengers					
Number Carried (000's)	606	648	642	648	656
Passenger Miles (000's)	64,508	69,172	68,493	69,721	70,724
Coach Statistics					
Number of Coaches	62	67	62	62	62
Miles/Coach	90,116	86,681	88,067	87,436	88,805
Average Age of Fleet	7.3	9.8	12.1	11.1	10.1
Number of Employees	324	324	302	308	298
Salaries, Wages & Benefits (000's)	$11,526	$10,731	$10,583	$10,316	$10,098

Saskatchewan Transportation Company
Board of Directors

New Board as of March 23, 1992

Honourable Carol Carson, Chairperson
Regina

Honourable Ned Shillington, Vice-Chairperson
Regina

Joan Morin
Prince Albert

Donald O'Connor
Regina

Don Axtell, Secretary to the Board
Regina

Coralie Geving
Shaunavon

Brenda Morgan
Regina

Lorne Johnston
Eston

Russell Marcoux
Saskatoon

Old Board up to November 5, 1991

William G. Rudichuk, Chairperson
Regina

Honourable G.M. McLeod, Vice-Chairperson
Regina

Daryl Huber
Lipton

David Kimber
Melfort

Leona Huxley
Maidstone

Helen Crich
Saskatoon

Clinton Ranger
Leask

Hilda Hildebrandt
Limerick

Danny Keshane
Kamsack

Ian Disbery, Secretary to the Board
Regina

Auditors' Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of Saskatchewan Transportation Company as at October 31, 1991 and the statements of operations and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates by management, as well as evaluating the overall financial statement presentation.

Owing to inadequate internal controls over express revenue (recorded as $6,157,000) and related receivables (recorded as $2,270,000), the accuracy and completeness of such revenues and receivables were not susceptible of satisfactory audit verification. Accordingly, we were unable to determine whether adjustments might have been required to accounts receivable, revenues, loss for the year and deficit at end of year.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves with respect to the revenues and receivables described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

The financial statements for the preceding year were audited by other auditors.

Ernst + Young

Chartered Accountants

Regina, Canada
March 6, 1992

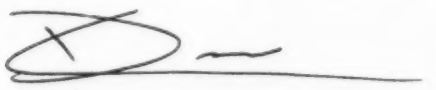
Saskatchewan Transportation Company
Statement of Financial Position

	October 31	
	1991	1990
	($000's)	
ASSETS		
Current Assets		
Express accounts receivable	$ 2,270	$ 1,412
Other accounts receivable	622	834
Inventories	595	781
Prepaid expenses	128	151
Total current assets	3,615	3,178
Property and equipment (note 4)	16,318	13,353
	$19,933	$16,531
LIABILITIES AND PROVINCE'S EQUITY		
Current Liabilities		
Bank indebtedness	$ 508	$ 510
Accounts payable and accrued liabilities	2,852	3,041
Notes payable (note 5)	18,400	8,353
	21,760	11,904
Province of Saskatchewan's Equity (Deficiency)		
Equity advances (note 6)	33,985	33,985
Deficit	(35,812)	(29,358)
Total equity (deficiency)	(1,827)	4,627
	$19,933	$16,531

See accompanying notes.

Approved by the Board:

Director



Director

Saskatchewan Transportation Company
Statement of Operations and Deficit

	Year Ended October 31	
	1991	1990
	($000's)	
REVENUE		
Express	$ 6,157	$ 5,992
Other transportation services	9,682	9,589
Other revenues	643	635
	16,482	16,216
EXPENSES		
Operating	15,579	15,374
Administration	4,507	4,230
Depreciation	1,422	1,066
Interest	1,428	885
	22,936	21,555
Loss for the year	(6,454)	(5,339)
Deficit, beginning of year	(29,358)	(24,019)
Deficit, end of year	($35,812)	($29,358)

See accompanying notes.

Saskatchewan Transportation Company
Statement of Changes in Financial Position

	Year Ended October 31	
	1991	1990
	($000's)	
OPERATING ACTIVITIES		
Loss for the year	($6,454)	($5,339)
Items not involving cash		
Depreciation	1,422	1,066
Change in non-cash operating working capital (note 7)	(626)	(356)
Cash used in operating activities	(5,658)	(4,629)
INVESTING ACTIVITIES		
Additions to property and equipment	(4,514)	(3,603)
Proceeds on disposal	127	14
Cash used in investing activities	(4,387)	(3,589)
FINANCING ACTIVITIES		
Increase in notes payable	10,047	5,393
Increase in equity advances	–	3,350
Cash provided by financing activities	10,047	8,743
Decrease in bank indebtedness	2	525
Bank indebtedness, beginning of year	(510)	(1,035)
Bank indebtedness, end of year	($508)	($510)

See accompanying notes.

Notes to Financial Statements
Year Ended October 31, 1991

1. GENERAL

The Saskatchewan Transportation Company was established in 1946 by Order in Council #168 to act as a common carrier providing passenger service transportation, parcel express and freight services. The Company is continued under the Crown Corporations Act.

The accounts of the Company are consolidated in the annual financial statements of the Crown Investments Corporation of Saskatchewan (CIC).

The Company is a Provincial Crown Corporation and therefore not subject to Federal or Provincial income tax.

2. OPERATIONS AND FINANCING

The Company operates 43 scheduled routes in the province, many of which are not commercially viable at existing levels of service. Funding of the Company's operations has been through notes payable issued to CIC which have periodically been replaced with non-interest bearing equity advances. These periodic injections of capital have enabled the Company to continue operating.

Early in fiscal 1991/92, the Company began discussions with its various stakeholders directed towards a comprehensive review of the scheduled routes and development of a system of revenue subsidies for those routes where continued operations at non-commercial levels continues to be in the public interest.

This approach will enable the Company to account for any subsidies as revenues rather than as capital and better permit assessment of the Company's performance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventories

Inventories of vehicle parts and supplies are stated at the lower of average cost and replacement cost.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation. Expenditures for betterments, such as major refurbishments and structural repairs, are capitalized. Normal maintenance, such as engine and drivetrain repairs or replacements, mechanical repairs and preventative maintenance, are expensed as incurred.

Depreciation

Depreciation is provided from the date assets are put into service and is recorded on the straight-line basis at rates designed to depreciate the cost of the fixed assets over their estimated useful lives after considering salvage values. Estimated useful lives are as follows:

Buildings	10 to 40 years
Coach equipment	9 years
Other equipment	5 to 10 years

4. PROPERTY AND EQUIPMENT

	1991		1990	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
	($000's)	($000's)	($000's)	($000's)
Land	$ 1,772	$ –	$ 1,772	$ –
Buildings	8,554	2,558	8,515	2,314
Coach equipment	13,272	5,500	10,756	6,080
Equipment under capital lease	278	221	278	237
Other equipment	1,850	1,129	1,572	909
	$25,726	$9,408	$22,893	$9,540

5. NOTES PAYABLE

The notes payable to CIC bear effective interest rates of 8.3% and 8.2% (1990 - 12.45%). By Order in Council 193/91 dated March 13, 1991, the Company is authorized to borrow $22.2 million from CIC to meet its ongoing working capital and financing requirements. These notes payable are renewed every quarter, at which time new interest rates are set.

By Order in Council 615/90 dated June 27, 1990, the Company is authorized to borrow up to $500,000 from external sources.

6. EQUITY ADVANCES

Equity advances received from CIC are intended as long-term equity for the Company. The equity advances are non-interest bearing and are repayable at the discretion of CIC.

7. NET CHANGE IN NON-CASH WORKING CAPITAL

	1991	1990
	($000's)	($000's)
DECREASE (INCREASE) IN		
Accounts receivable	$ (646)	$ (316)
Inventories	186	(189)
Prepaid expenses	23	52
INCREASE (DECREASE) IN		
Accounts payable and accrued liabilities	(189)	97
	$ (626)	$ (356)

8. PENSION PLANS

The Company participates in two pension plans. One is the STC Employees' Superannuation Plan, established pursuant to the Public Service Superannuation Act, and is a defined benefit plan. The other is Capital Pension Plan Inc., which is a defined contribution plan. Employees hired after September 1, 1980 are all participants in the defined contribution plan.

The Company's financial obligation to each of the plans is limited to making regular payments to match the amounts contributed by the employees for current service.

9. RELATED PARTY TRANSACTIONS

Included in these financial statements are revenue and expenses resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Company is related.

Account balances resulting from these transactions are included in the statement of financial position and are settled on normal trade terms.

Not included in these financial statements are costs borne by Saskatchewan Justice for an investigation into the Company's operations commenced in 1990 by the then Minister responsible for the Company. Various court judgments in 1990 and 1991 have precluded the release of the results of the investigation. Accordingly, neither the Minister at the time, nor his successor, nor the Company's management have had access to the investigation's result, and there has never been any suggestion from Saskatchewan Justice that the Company would be responsible for any costs of the investigation.

10. CONTINGENCIES

As a result of certain irregularities alleged to have incurred in the Company's 1989 and prior fiscal years, criminal actions were brought in 1991 against certain former executives and suppliers of the Company. As these actions are continuing, the effects, if any, of these alleged irregularities on the Company's financial statements and financial claims by or against the Company that may result from them, cannot be determined at this time, and will be recorded only as and when any amounts are known.

The Company has terminated certain commitments. These actions may result in additional costs being incurred in subsequent years and such costs, if any, will be recorded when incurred.

1991 Route Map